

TOTAL QUALITY MANAGEMENT AND ORGANIZATIONAL PERFORMANCE-MODERATING ROLE OF MANAGERIAL COMPETENCIES

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ABSTRACT

The present study empirically examines the impact of total quality management (TQM) practices on organizational performance (OP), and the moderating role of managerial competencies (MC) on relationship of TQM practices and OP. Primary data has been collected from a convenience sample of 250 managers working in services organizations. Statistical tests of correlation, factor analysis, and regression have been used in the data analysis. The results indicate that TQM practices predict OP, and that MC does moderate TQM and performance relationship within services context in Pakistan. The findings provide useful insight to the strategic decision makers to use TQM as organizational strategy for competitive advantage. The results offer opportunity to human resources practitioners to accord priority to enhancing managerial competencies to boost performance.

Key words: Total quality management (TQM), organizational performance (OP), managerial competencies (MC), services, Pakistan

1. INTRODUCTION

The dynamic business environment and changing customers' preferences have made TQM as an essential management philosophy for firms to remain competitive. This philosophy is characterized by an integrated company-wide cultural transformation, strategic orientation, incessant perfection, internal and external customers' focus, innovation, and sustainable competitive advantage.

Strong evidence exists in literature and business practices that TQM has become a strategic tool to achieve superior performance and competitiveness. Empirical evidence substantiate that implementation of TQM enhances internal and external efficiency and effectiveness. Internally, the firm improves processes, productivity, employees' morale, management-workforce relationship, whereas externally, it enhances customers' satisfaction, and retention. The cumulative effects are cost competitiveness, innovative products and services, increased market share, high reputation, improved organizational effectiveness, and competitiveness (Kumar et al., 2009; Yang, 2006; Mojtahedzadeh et al., 2011).

Visionary organizations in Pakistan have implemented varying degree of TQM to improve performance and sustainability. The main focus of research has been exploratory. Various studies have identified TQM dimensions that organizations have pursued. Awan et al., (2008) studied critical factors of TQM and its relationship with business performance in manufacturing industries. Little evidence exists with regard to the study of linkage of TQM practices and OP in service industries. No study has explored the moderating role of MC in TQM and performance relationship. The present study attempts to bridge this gap.

The objective of the study is to evaluate the impact of TQM practices on organizational performance and the moderating role of managerial competencies in TQM performance relationship.

2. LITERATURE REVIEW

Since early 1990, numerous studies have identified essential factors of TQM. However, there is general consensus about some essential constructs namely; leadership commitment, customer focus, supplier management, reward and recognition, employee participation, education and training, benchmarking, and process management continuous improvement (Ahire et al., 1996; Dale, 1999; Claver et al., 2003; Tari, 2005).

Leadership commitment plays significant role in articulating the vision, and mission statement, setting strategic intent and objectives, shared values, and establishing an effective support mechanism for creating and sustaining enabling environment for superior performance. Top management commitment to TQM manifests in strategic planning, customers' focus, quality-based cultural transformation, functional integration, efficient processes, employees' involvement and empowerment, knowledge management pursuits, stakeholders' participation, corporate ethical and social responsibility, good corporate governance, and effective resource management (Kannan and Tan, 2005; Kozak et al., 2007; Salaheldin, 2009)

Satisfaction of customers is at the core of TQM. Customer focus is evident in a proactive approach of identifying customers' psychological, emotional, and business needs, and their fulfillment. Open communication, and involvement of customers in decision-making enhances mutual bonds. Efficient product innovation, delivery and service processes, empowerment of contact personnel, and customer relationship management drive customer satisfaction. An efficient mechanism based on integrated response by everyone in the organization is vital to anticipate and fulfill customers changing needs. Constant monitoring of customers' needs is vital to initiate a

responsive strategy to achieve competitiveness. Customer focus is a continuous process and calls for an institutionalized approach to achieve strategic gains (Brah and Lim, 2006; Ou et al., 2007; Zadry, 2005).

Constant improvement in products, services, and processes is essential to respond to changing customers' preferences. Reevaluation of existing services and processes is important to affect improvements. This approach facilitates in innovations, reduction in delivery time, costs associated with repair, rework, and yields cost competitiveness. Active participation by customers and employees is essential to provide necessary feedback to initiate and sustain perpetual improvement. This approach builds adequate knowledge spread within organization, and embeds in people, processes, infrastructure, and difficult to copy by competitors. The culture of continuous improvement generates creativity among employees and results in competitive excellence (Baghal and Bhuiyan, 2005; Deming, 1986; Juergensen, 2000).

In TQM environment suppliers are treated as essential partners. This collaboration fosters sharing of customer-related information that results in improved services and processes. Organizations pursue proactive strategy for long-term relationship with suppliers to achieve cost competitiveness, sharing knowledge about customers, and transforming this knowledge into tangible dimensions to achieve excellences in services, and processes (Arawati, 2005; Demirbag et al., 2006; Kaynak, 2003; Macinati, 2008).

Process management focuses on behavioural and methodological activities. It manifest in collection and use of information, procedures, means, and human resources competencies to identify, measure, evaluate, and initiate actions to refine processes. A proactive approach to planning, executing, monitoring, and evaluating processes is essential to affect improvement to respond to customers' existing and emerging needs. Effective use of quality improvement tools is important to achieve desired results (Nofal et al., 2005; Tari et al., 2006; Jung et al, 2009).

In TQM milieu, people are the forerunner of quality pursuits. Effective human resources management practices drive TQM initiatives. HRM practices nurture synergy, creativity, and builds missionary commitment among workforce to contribute effectively by providing superior customers services and achieve customers' satisfaction, and retention. Workforce oriented practices of open communication, team-work, employee empowerment and involvement, equitable reward and recognition, merit -based hiring, value-based management-employee relationship, equal growth opportunities, proactive retention policies, and valuing employees as strategic assets augment employees' satisfaction, builds high commitment, foster ownership, improves excellence in attitudinal and behavioural outcomes and transform their interaction with customers into memorable endeavours. Internally, the creativity, synergy, and mutual bond result in innovations in products, services, and processes, thus optimizing resources (Karuppusami et al., 2006; Sila, 2007; Zehir and Sadikoglu, 2010).

Managerial competencies refer to the skills, abilities, attitude, and behaviour of managers within context of organizations. A balanced blend of these attributes synergies personal development, fosters employees', customers' and organizational focus, and leads to superior performance. There is consensus that competencies requires for managing in TQM environment are innovation and creativity, adaptability, customer focus, continuous learning and inquisitiveness, interpersonal and communication skills, change orientation, building team, results orientation, commitment to continuous improvement, inspiring subordinates, effectively managing functional processes, and occupation, and technical expertise. These managerial competencies have been used in the study. There is strong evidence in literature that application of these competencies has strong relationship with organizational performance (Plessis and Beer, 2011; Wang, 2011; Wei and Qui, 2009).

Based on the literature review, the conceptual framework for the study is shown in Figure 1.

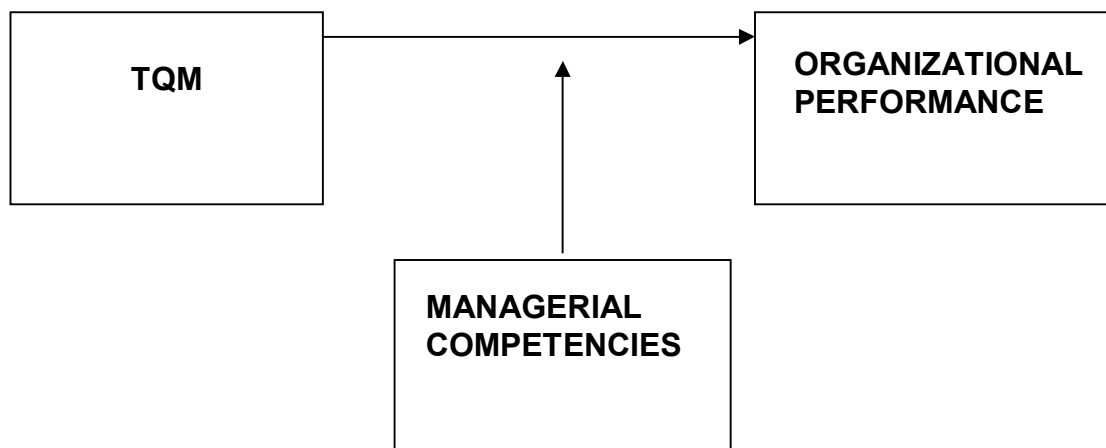


Fig. 1. Theoretical Framework

Following are the hypotheses for the study:

- H 1. TQM predicts organizational performance.
- H 2. MC moderates TQM-OP relationship.

3. METHODS

The population of study included five cellular companies and five banks operating in public, and private sectors. These organizations have implemented TQM practices (Khan, 2010, Humayun et al., 2008). A convenience sample of 350 managers of these organizations was used for the study. The questionnaires were distributed through personal contacts. Two hundred and seventy completed questionnaires were received. As a result of scrutiny, twenty questionnaires were discarded possessing inadequate information. Two hundred fifty questionnaires were used in data analysis reflecting a response rate of more than 71%.

Questionnaire was used to collect the data. The instrument was developed based on literature review. TQM is multifaceted construct. Researchers have examined different dimensions of TQM construct. In this study, TQM has been used as composite construct, and its different dimensions have not been examined separately. Thirty item TQM construct was operationalized using variables of leadership, customer focus, process management, suppliers relationship management, HRM aspects, and continuous improvement. Managerial competencies variable, containing 20 items, was operationalized through study of previous studies. Organizational performance was operationalized using objective as well as subjective measure as discussed in literature. A five-point Likert scale was used to measure the responses.

Pilot study of the instrument was carried out to test the reliability. The Cronbach's alpha of all variables and their dimensions exceeded the permissible limits of .60. The face validity and content validity of the instrument was undertaken through process of discussion with academicians, quality experts, and managers of the telecommunication and banking organizations. The construct validity of the instrument was established through factor analysis. The value of Kaiser-Meyer-Olkin test was .86 and Bartlett's test of sphericity was significant at $p < 0.001$ level. Factor loading less than 0.50 was not used. Factor with Eigen value greater than one were retained. Principal axis factoring with varimax rotation extraction method was used.

4. RESULTS AND DATA ANALYSIS

Correlation matrix at Table 1 indicates the relationship between variables. All correlations between predictor, moderator, and criterion variables are positive and statistically significant at $p < 0.001$.

Table 1. Correlation Matrix

Variables	TQM	Managerial Competencies (MC)	Organizational Performance (OP)
TQM			
MC	.842**	-	
OP	.798**	.812**	-

**Correlation is significant at $p < 0.001$ (two tailed).

Results of regression analysis, in Table 2, indicate that TQM accounts for 63.6% variance in OP. The F statistic ($F = 640.079$, $p < 0.001$) show that model is significant; t value of ($t = 25.3$) illustrates that predictor TQM makes a significant contribution to the model. H 1 that TQM predicts OP is supported.

Table 2. Regression Analysis

IV	DV	R ²	F Stat	Beta	T Value
TQM	OP	.636	640.079**	.798**	25.300

** Significance at $p < 0.001$ level

Hierarchical regression analysis was used to test the moderating effects of MC on TQM-OP relationship. Using Baron and Kenny method, interaction variable was generated (TQM*MC). A moderation effect was examined through change in R^2 . When interaction variable was added to the independent and moderator variables, the R^2 change was (0.138) that is significant ($F \text{ Change} = 223.034$, $p < 0.000$). The results at Table 3 indicate that MC does moderates the relationship between TQM and OP.

Table 3. Moderation effects-change statistics

Variable	R ² Change	F Change	F Change Significance
MC *TQM	.138	223.034	0.000

5. DISCUSSION

The purpose of the study was to investigate empirically the impact of TQM on OP, and to examine the moderating effects of MC on relationship of TQM-OP. The results of the research illustrate positive and statistically significant impact of TQM on OP. In addition, the results also indicate that MC significantly moderates the relationship of TQM and OP. The results of this study concur with the findings of earlier studies (Kumar et al., 2006; Nair, 2006; Rahman and Bullock, 2005; Sila and Ebrahimpour, 2005; Salaheldin, 2009; Zahir and Sadikglu, 2011).

Results of the study indicate that TQM needs to be viewed as holistic approach to achieve performance excellence. The results highlight that visionary and committed leadership, proactive customer focus, effective HRM practices, efficient process management, integrated process management, and proactive continuous improvement offer significant and positive performance outcomes. The findings establish that synergy created by different dimensions of TQM results in superior performance in financial and non-financial dimensions. Implementation of TQM creates cultural transformation, nurture employees; collaborate with customers' who become the core of organizational sustainability. The quest for continuous improvement increases creativity, and generates requisite momentum to innovate products, services, and processes that leads to resource optimization.

Managerial competencies have become catalyst in knowledge-based economy. The acquisition of these competencies provides a personal competitive advantage to employees. It affects their outlook, facilitates alignment of personal and organizational goals, provides opportunities for innovations, and process improvement. The study provides empirical evidence that managerial competencies of creativity and innovation, change orientation, interpersonal and conflict management skills, pursuit for continuous learning, and continuous improvement boost OP. These competencies generate quality mindset, and create multiplier effects for sustained performance. Strong evidence exist that managerial competencies creates synergetic effects and contributes toward OP (Plessis and Beer, 2010, Wang, 2011, Wei and Qiao, 2009).

The study offers opportunities to human resources practitioners, and managers to use TQM as organizational strategy to achieve and sustain competitiveness. The important role of managerial competencies needs incorporation in strategic human resources practices. The resources used in enhancing managerial competencies should be viewed as strategic investment to achieve sustained results. The study is confined to a small sample of firms in services. This may limit the generalizability of results. The future research may extend to a larger sample representing firms from public and private sector, and manufacturing industries as well. The future line of research may also extend to the effects of contextual factors to enhance the breadth of the research.

6. CONCLUSION

The objective of the study is to examine the impact of TQM on OP, and investigate the moderating effect of MC on relationship of TQM and OP. The study make a positive contribution to existing TQM literature by providing empirical evidence that TQM practices have positive and significant effects on OP. The study makes additional contribution to the academic literature by providing empirical evidence about the moderating role of managerial competencies in relationship of TQM and OP. The empirical results offer opportunities to strategic decision makers to use TQM as organizational strategy to achieve and sustain performance excellence in dynamic business environment. In addition, the effective role of improved managerial competencies provides requisite synergy to the performance outcomes. A proactive focus on improving managerial competencies needs to be given strategic priority in HRM intervention strategy to build superior workforce to remain competitive.

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